

Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (January-March 2009)

~ Surveyed in May 2009 ~

June 25, 2009

Enterprise Statistics Office, Research and Statistics Department

★ Sales post largest drop in January-March quarter; improvements forecasted for April-June, July-September quarters

★Forecasts (Current Assessment DI^(*1): April-June 2009, Prospects DI: July-September 2009)

1. The Sales DIs recovered to positive levels.

The Current Assessment DI and the Prospects DI recovered to positive levels, recording positive figures at 13.3 and 3.4, respectively. Compared with the same quarter of the previous year, the Current Assessment DI fell by 17.3 points and the Prospects DI by 10.0 points, representing significantly smaller decreases as compared to the previous survey. All regions recorded smaller decreases. All regions marked positive figures in their Prospects DIs, with the exception of Europe at minus 14.9.

2. The Capital Investment DIs recorded smaller magnitudes of decline.

The Current Assessment DI and the Prospects DI recorded negative figures at minus 3.7 and minus 3.5, respectively. Compared with the same quarter of the previous year the Current Assessment DI and the Prospects DI suffered smaller decreases, at minus 21.4 points and minus 17.9 points, respectively. All regions marked smaller margins of deterioration.

3. The Number of Employees DIs posted negative figures. Compared to the previous survey, the year-on-year deterioration was of a smaller magnitude.

★Actual Results (January-March 2009, year-on-year growth rate)

1. Sales (in U.S. dollars) fell 33.9% from the same quarter of the previous year, marking the largest decline ever ^(*2). Europe (down 40.3% year-on-year), North America (down 39.3% year-on-year), and Asia (down 26.9% year-on-year) all recorded the largest declines ever. China (down 16.2% year-on-year) showed a decline for the first time ever.

2. Capital investment (in U.S. dollars) decreased by 18.0% from the same quarter of the previous year, marking the first decrease in five quarters. Declines were recorded in Europe (down 43.9% year-on-year), North America (down 22.4% year-on-year), and Asia (down 12.4% year-on-year).

3. The number of employees decreased by 11.6% from the same quarter of the previous year, marking the largest decline ever since the survey was initiated. Declines were recorded in Asia (down 12.3% year-on-year), North America (down 11.8% year-on-year), and Europe (down 7.4% year-on-year).

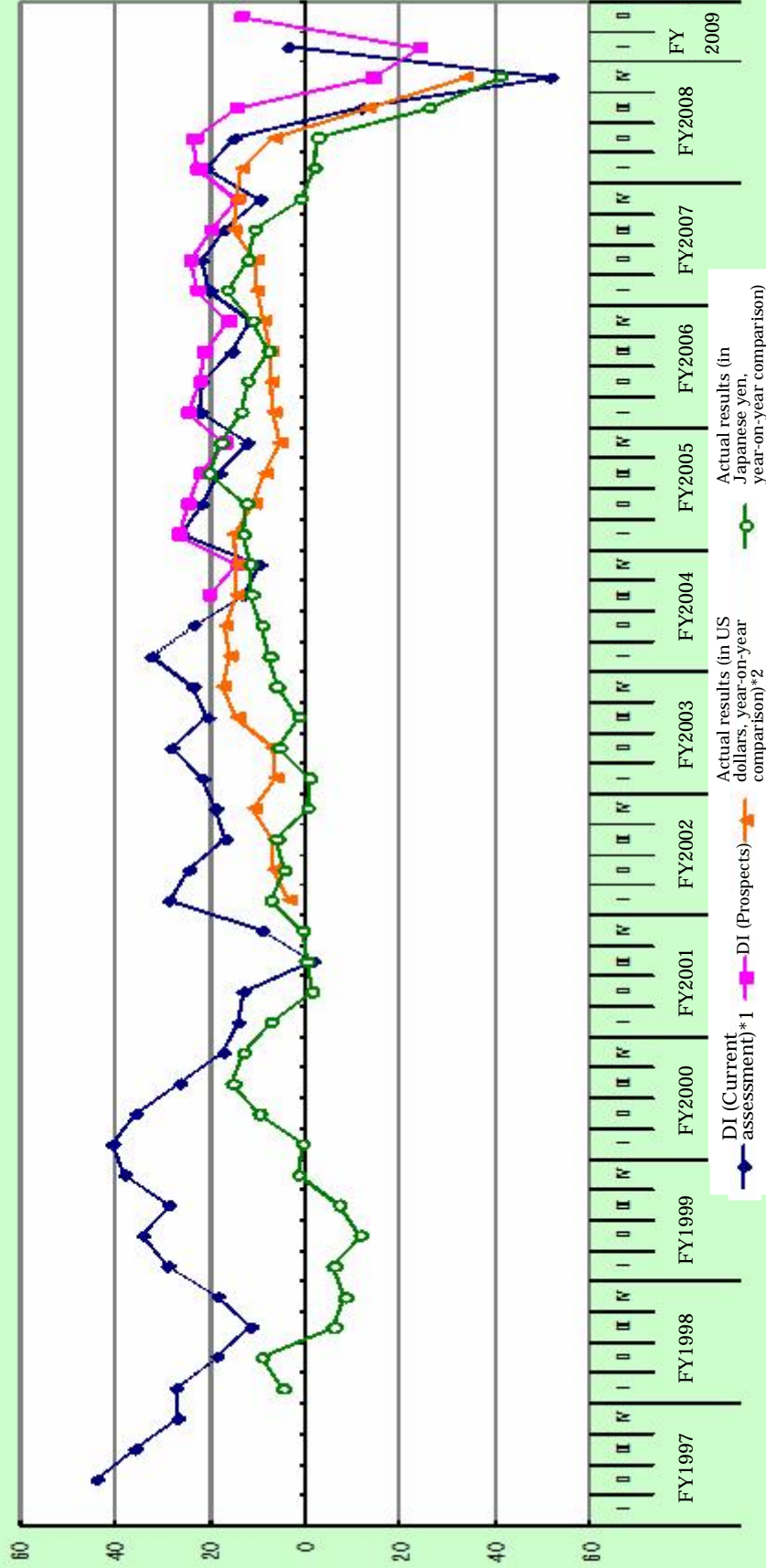
*1 Forecasted changes (“increase,” “stable,” and “decrease”) for the quarter that includes the time of survey (Current Assessment) and the following quarter (Prospects) consist of comparisons with their preceding quarters.

DI = [Percentage share of companies that responded that they expected an increase] - [Percentage share of companies that responded that they expected a decrease] (percentage points)

Starting from the April - June quarter 2008 survey, the DI is compared to that of the same quarter of the previous year. (The Current Assessment DI and the Prospects DI are compared to the respective Current Assessment DI and the Prospects DI for the same quarter of the previous year.) In this report, DI figures are only numerically described (e.g. minus 5.5), and “points” are placed after the number in the context of the comparison to the same quarter of the previous year (e.g. down 5.5 points).

*2 Since the U.S. dollar-based quarterly year-on-year changes were first published starting with the April-June quarter of 2002

Sales DI and Actual Results



*1: The DI survey period for FY 1997 included the quarter in which the survey was conducted. DI surveys from FY 1998 to FY 2003 were conducted on a biannual basis (including quarters during the time of the surveys and the following quarter).

Starting from the FY 2004 survey, the half-year survey period that had been used up to the previous year was divided into the current assessment survey period (the quarter including the time of survey) and the prospects survey period (the next quarter).

*2: Actual results in U.S. dollars are available

Forecasts

1. Sales

<All regions>

- The Current Assessment DI (April-June quarter 2009) recovered to a positive level of plus 3.4. With a year-on-year change of minus 17.3 points (compared to the Current Assessment DI for April-June quarter 2008), the deterioration was significantly smaller as compared to the previous survey (minus 61.0 points). With regard to the four major industry groups ^(*), chemicals and electrical machinery recovered to positive levels.
- The Prospects DI (July-September quarter 2009) registered a double-digit, positive figure of plus 13.3. It fell 10.0 points year-on-year (compared to the Prospects DI for July-September quarter 2008), recording a decline that was significantly smaller than in the previous survey (minus 46.4 points). All of the four major industry groups posted positive figures, with the exception of general machinery, and all recorded year-on-year falls that were a significant improvement from the previous survey.

<North America>

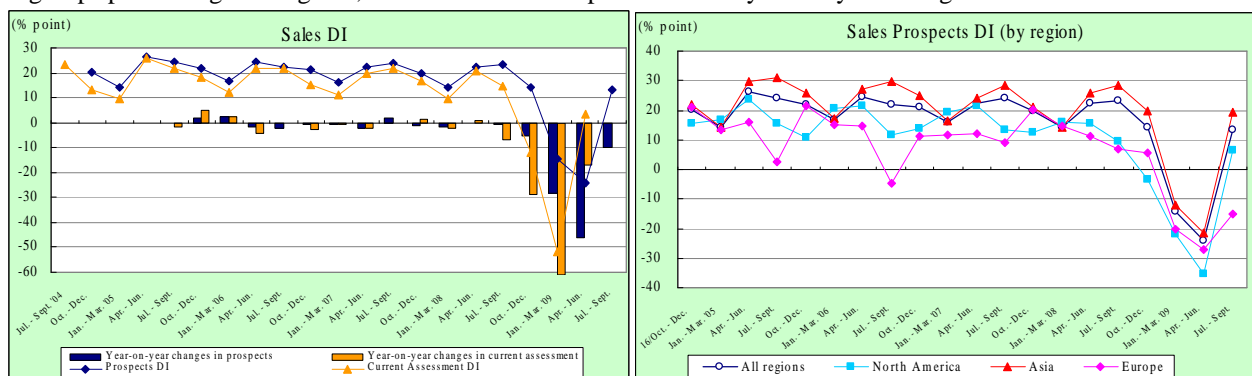
- The Current Assessment DI recorded a negative figure of minus 5.9. Compared with the same quarter of the previous year, the Current Assessment DI decreased by 12.2 points, which was a smaller magnitude of decrease as compared to the previous survey. With the exception of chemicals, the four major industry groups reported negative figures, but year-on-year changes showed improvement as compared to the previous survey.
- The Prospects DI recovered to a positive level of plus 6.3. Compared with the same quarter of the previous year, the Prospects DI decreased by 3.2 points, which was a smaller decrease as compared to the previous survey. With the exception of general machinery, the four major industry groups reported positive figures, and year-on-year changes showed improvement as compared to the previous survey.

<Asia>

- The Current Assessment DI recovered to a positive level of plus 8.8. Compared with the same quarter of the previous year, the Current Assessment DI decreased by 16.2 points, representing a smaller decline than in the previous survey. With regard to the four major industry groups, chemicals and electrical machinery recorded positive figures, and all four industries reported improvements in year-on-year changes as compared to the previous survey. China ^(*) (at 16.8) and NIEs3^(*) (at 1.7) reported positive figures, and ASEAN4^(*) (at minus 0.5) recorded a negative figure, but all regions demonstrated a smaller decline as compared to the previous survey.
- The Prospects DI fell 8.9 points to a double-digit, positive figure of plus 19.3, representing a smaller decline than in the previous survey. All of the four major industry groups posted positive figures, with improvements in year-on-year changes as compared to the previous survey. China (at 24.8), ASEAN4 (at 14.2), and NIEs3 (at 9.0) recorded positive figures, as well as a smaller deterioration as compared to the previous survey.

<Europe>

- The Current Assessment DI decreased 28.1 points to a double-digit, negative figure of minus 16.6, representing a smaller decline than in the previous survey. With the exception of chemicals, the four major industry groups posted negative figures, but demonstrated a smaller decline in year-on-year changes as compared to the previous survey.
- The Prospects DI fell 21.8 points year-on-year, to a double-digit, negative figure of minus 14.9, recording a smaller decline as compared to the previous survey. With the exception of chemicals, the four major industry groups posted negative figures, but demonstrated improvements in year-on-year changes.



*1 The four major industry groups out of the 13 industries are: Transportation equipment, electrical machinery, general machinery, and chemicals

*2 ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia

*3 NIEs3: Singapore, Korea, Taiwan

*4 China: Includes Hong Kong

Forecasts

2. Capital Investment (current acquisition price of tangible fixed assets [excluding land])

<All regions>

- The Current Assessment DI (April-June quarter 2009) fell 21.4 points from the same quarter of the previous year (compared with the Current Assessment DI for the April-June quarter 2008) to a negative level of minus 3.7, representing a decline that was smaller than in the previous survey. Although the four major industry groups recorded negative figures, with the exception of chemicals, the magnitude of year-on-year falls was smaller than in the previous survey.
- The Prospects DI (July-September quarter 2009) fell 17.9 points year-on-year (compared with the Prospects DI for the July-September quarter 2008) to minus 3.5. Compared to the previous survey (at minus 34.4 points), a smaller decline was recorded. Although the four major industry groups recorded negative figures, with the exception of chemicals, the magnitude of year-on-year falls was smaller than in the previous survey.

<North America>

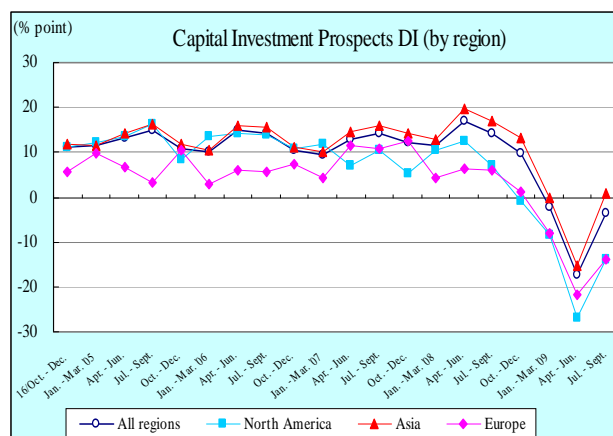
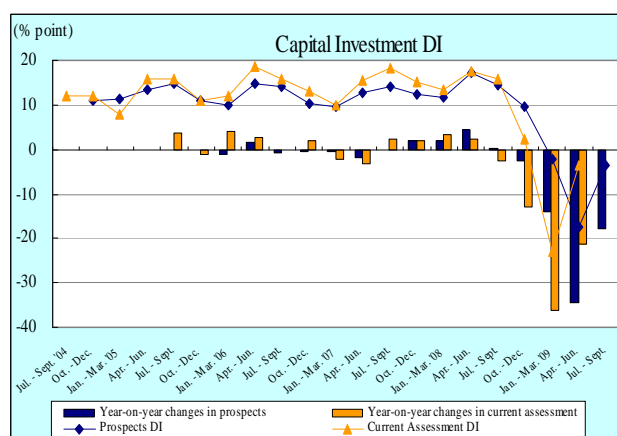
- The Current Assessment DI fell by 22.3 points from the same quarter of the previous year to minus 13.1, indicating a smaller magnitude of decline as compared to the previous survey. All of the four major industry groups posted negative figures, with the exception of chemicals.
- The Prospects DI declined by 21.0 points year-on-year to minus 13.9, indicating a smaller magnitude of decline as compared to the previous survey. All of the four major industry groups posted negative figures, with the exception of chemicals.

<Asia>

- The Current Assessment DI fell by 22.4 points from the same quarter of the previous year to minus 1.1, indicating a smaller magnitude of decline as compared to the previous survey. All of the four major industry groups posted negative figures, with the exception of chemicals. Although China (at plus 5.2) made a recovery to positive levels, ASEAN4 (at minus 7.9) and NIEs3 (at minus 7.4) demonstrated negative figures.
- The Prospects DI decreased by 16.4 points year-on-year to 0.7, representing a smaller magnitude of decline as compared to the previous survey. Out of the four major industry groups, chemicals and general machinery recorded positive figures, and all of the four major industry groups demonstrated year-on-year changes with a smaller magnitude of deterioration as compared to the previous survey. China (at plus 5.7) made a recovery to positive levels, and ASEAN4 (at minus 4.4) and NIEs3 (at minus 6.4) posted negative figures, year-on-year decreases were of a smaller magnitude as compared to the previous survey for all regions.

<Europe>

- The Current Assessment DI fell by 13.0 points from the same quarter of the previous year to minus 8.7, showing a decrease in the magnitude of deterioration as compared to the previous survey. Although the four major industry groups posted negative figures, with the exception of chemicals, year-on-year decreases were of a smaller magnitude as compared to the previous survey.
- The Prospects DI decreased by 20.1 points year-on-year to minus 14.0, indicating a smaller decrease as compared to the previous survey. All of the four major industry groups posted negative figures.



Forecasts

3. Number of Employees

<All regions>

- The Current Assessment DI (April-June quarter of 2009) fell 22.6 points from the same quarter of the previous year (compared with the Current Assessment DI for the April-June quarter of 2008) to minus 12.2, but the margin of deterioration was smaller as compared to the previous survey (minus 43.3 points). Although the four major industry groups recorded negative figures, with the exception of chemicals, the magnitude of year-on-year falls was smaller than in the previous survey.
- The Prospects DI (July-September quarter of 2009) fell 15.3 points year-on-year (compared with the Prospects DI for the July-September quarter 2008) to minus 4.9, representing a smaller decrease as compared to the previous survey (minus 35.1 points). Although the four major industry groups recorded negative figures, with the exception of chemicals, the magnitude of year-on-year falls was smaller than in the previous survey.

<North America>

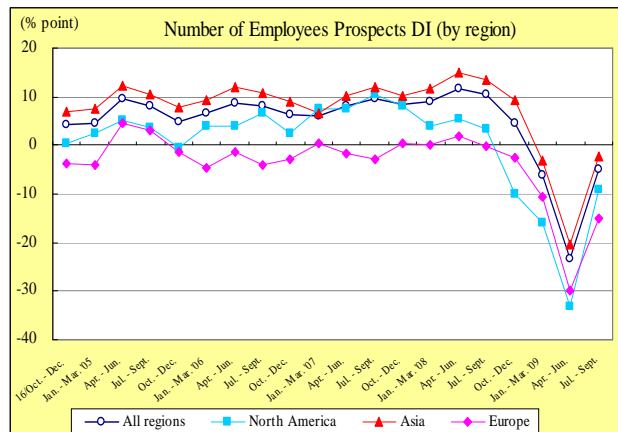
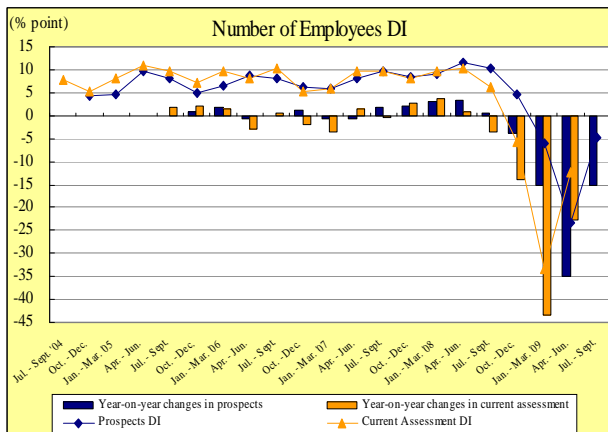
- The Current Assessment DI fell by 19.5 points from the same quarter of the previous year to minus 17.8, indicating a smaller margin of deterioration as compared to the previous survey. Although the four major industry groups recorded negative figures, with the exception of chemicals, the magnitude of year-on-year falls was smaller than in the previous survey.
- The Prospects DI fell 12.7 points year-on-year to minus 9.2, representing a smaller magnitude of deterioration as compared to the previous survey. Although the four major industry groups recorded negative figures, with the exception of chemicals, the magnitude of year-on-year falls was smaller than in the previous survey.

<Asia>

- The Current Assessment DI fell by 22.9 points from the same quarter of the previous year to minus 8.9, indicating a smaller margin of deterioration as compared to the previous survey. Although the four major industry groups recorded negative figures, with the exception of chemicals, the magnitude of year-on-year falls was smaller than in the previous survey. ASEAN4 (at minus 15.5), NIEs3 (at minus 11.9), and China (at minus 4.1) all recorded year-on-year drops that were smaller than as compared to the previous survey.
- The Prospects DI fell 16.0 points year-on-year to minus 2.4, representing a smaller magnitude of deterioration as compared to the previous survey. With regard to the four major industry groups, transportation equipment and electrical machinery posted negative figures, but year-on-year falls were smaller as compared to the previous survey for all four major industry groups. NIEs3 (at minus 7.2) and ASEAN4 (at minus 6.8) recorded negative figures, but China (at plus 0.8) recovered to positive levels.

<Europe>

- The Current Assessment DI fell by 23.3 points from the same quarter of the previous year to minus 22.2, indicating a smaller margin of deterioration as compared to the previous survey. Although the four major industry groups recorded negative figures, the magnitude of year-on-year falls was smaller than in the previous survey.
- The Prospects DI fell 14.8 points year-on-year to minus 15.1, representing a smaller magnitude of deterioration as compared to the previous survey. Although the four major industry groups recorded negative figures, with the exception of chemicals, the magnitude of year-on-year falls was smaller than in the previous survey.



<Reference>

For DI details, see pages 4-15 in the report, "Trends in Overseas Subsidiaries" and pages 21-41 in "Statistics".

Actual Results

1. Sales

<All regions>

- Sales (January-March quarter 2009, in U.S. dollars) decreased 33.9% from the same quarter of the previous year, marking the largest decrease ever. All of the four major industry groups suffered declines for the second consecutive quarter, with a year-on-year drop of 38.6% in transportation equipment, 33.8% in electrical machinery, 33.4% in general machinery, and 22.1% in chemicals, representing the largest declines ever. All regions also posted the steepest declines ever.
- Sales (January-March quarter 2009, in Japanese yen) fell 41.4% year-on-year, recording the fourth straight quarter of decrease, and the largest decline since the start of the survey.

<North America: 28.5% of total sales in all regions>

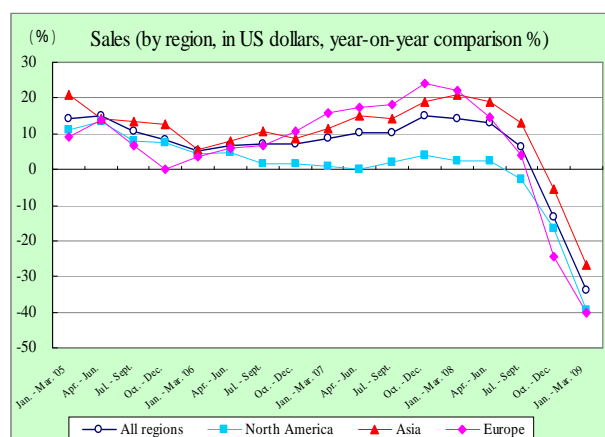
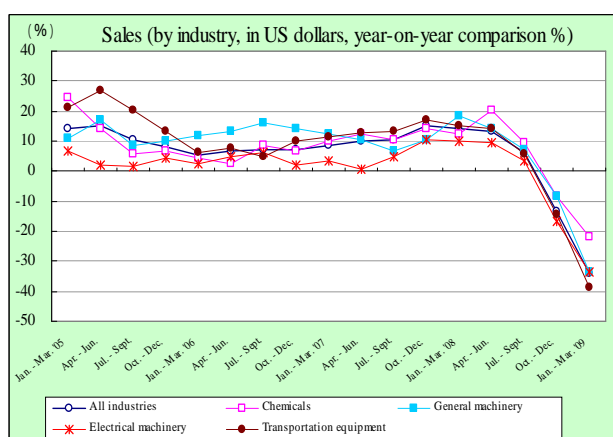
- Sales (in U.S. dollars) fell 39.3% from the same quarter of the previous year, marking the third consecutive quarter of decline, and an increased magnitude of deterioration. Although all of the four major industry groups saw double-digit declines, transportation equipment in particular posted a year-on-year drop of 51.9%, representing the fourth consecutive quarter of decline and an expansion in the magnitude of deterioration.

<Asia: 46.2% of total sales in all regions>

- Sales (in U.S. dollars) fell 26.9% from the same quarter of the previous year, marking an expansion in the magnitude of decrease. All of the four major industry groups saw double-digit declines, and in particular, electrical machinery recorded a significant drop of 37.4%. NIEs3 (down 38.6% year-on-year) and ASEAN4 (down 35.6% year-on-year) recorded decreases for the second consecutive quarter, and China (down 16.2% year-on-year) decreased for the first time ever.

<Europe: 18.0% of total sales in all regions>

- Sales (in U.S. dollars) decreased significantly by 40.3% from the same quarter of the previous year, marking the second consecutive quarter of deterioration, and an increase in the margin of decrease. All of the four major industry groups saw double-digit declines, and in particular, transportation equipment and general machinery saw significant drops of 53.3% year-on-year and 45.6% year-on-year, respectively.



<Reference>

For details of actual results, see pages 16-27 of the report, "Trends in Overseas Subsidiaries" and pages 1-20 of "Statistics".

Actual Results

2. Capital Investment (current acquisition price of tangible fixed assets [excluding land])

<All regions>

- Capital investment (January-March quarter 2009, in U.S. dollars) dropped 18.0% from the same quarter of the previous year, marking the first decline in five quarters. Among the four major industry groups, general machinery posted year-on-year growth of 9.2%, but transportation machinery, electrical machinery, and chemicals reported year-on-year declines of 19.6%, 18.5%, and 8.9%, respectively. Europe, North America, and Asia all recorded double-digit declines.
- Capital investment (January-March quarter 2009, in Japanese yen) decreased 27.0% year-on-year, representing a decline for the second consecutive quarter and an expansion in the magnitude of decline.

<North America: 28.4% of total capital investment in all regions>

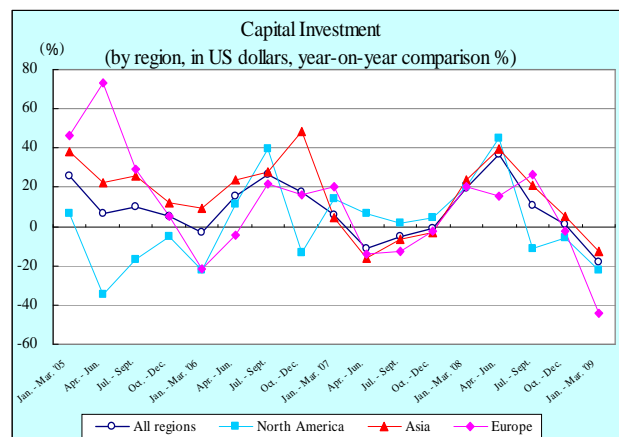
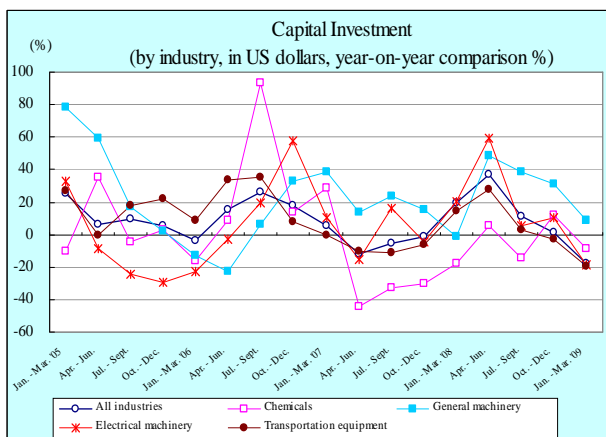
- Capital investment (in U.S. dollars) dropped 22.4% from the same quarter of the previous year, down for the third straight quarter. Transportation equipment decreased 22.3% year-on-year, its third straight quarter of decline. General machinery reported a 1.3% year-on-year decrease, its second consecutive quarter of decline. On the other hand, electrical machinery demonstrated a 12.0% year-on-year increase, representing an increase for the ninth consecutive quarter, and chemicals increased by 4.2% year-on-year, representing an increase for the fourth consecutive quarter.

<Asia: 49.7% of total capital investment in all regions>

- Capital investment (in U.S. dollars) dropped 12.4% from the same quarter of the previous year, the first decline in five quarters. General machinery maintained a double-digit increase of 37.0% year-on-year, but chemicals, electrical machinery, and transportation equipment suffered double-digit year-on-year declines of 24.1%, 20.7%, and 14.8%, respectively. ASEAN4 (down 27.0% year-on-year) reported a decline for the second consecutive quarter, but China (up 1.1% year-on-year) posted an increase, though its growth rate was small, and NIEs3 (up 13.1% year-on-year) recorded an increase for the first time in three quarters.

<Europe: 11.6% of total capital investment in all regions>

- Capital investment (in U.S. dollars) dropped 43.9% from the same quarter of the previous year, marking the largest decline ever. Chemicals maintained an increase of 2.2% year-on-year, but transportation equipment, general machinery, and electrical machinery all fell steeply, by 49.8% year-on-year, 49.5% year-on-year, and 34.9% year-on-year, respectively.



Actual Results

3. Number of Employees

<All regions>

- The number of employees (as of the end of March 2009) decreased by 11.6% from the same quarter of the previous year, indicating an expansion in the margin of decrease, and the largest magnitude of decrease on record. Among the four major industry groups, electrical machinery (down 21.7% year-on-year) posted a double-digit decline for the second consecutive quarter, and transportation equipment (down 7.8% year-on-year) and general machinery (down 0.4% year-on-year) also posted declines. Chemicals (up 1.7% year-on-year) recorded somewhat of an increase. Declines were seen in Asia, North America, and Europe.

<North America: 13.0% of total employment in all regions>

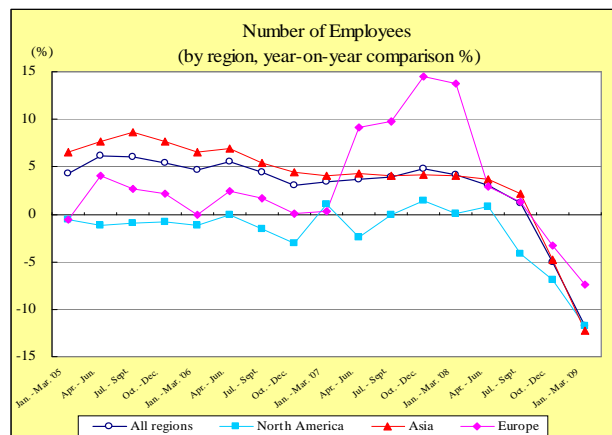
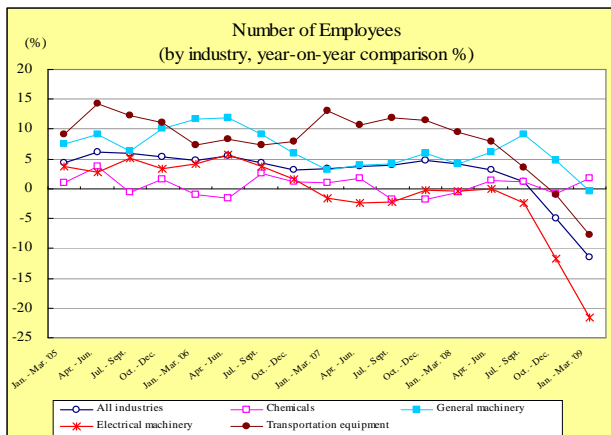
- The number of employees decreased 11.8% from the same quarter of the previous year, down for the third consecutive quarter and indicating a double-digit decrease. Among the four major industry groups, transportation equipment showed a continuous decline (down 18.7% year-on-year), for the third straight quarter, representing an expansion in the margin of decline. General machinery and electrical machinery showed continued declines, and chemicals turned downward.

<Asia: 71.8% of total employment in all regions>

- The number of employees decreased by 12.3% from the same quarter of the previous year, marking the second consecutive quarter of decline and an expansion in the magnitude of decline to double digits. Among the four major industry groups, electrical machinery (down 22.8% year-on-year) posted an expansion in decline and transportation equipment (down 2.6% year-on-year) and reported its first decline in seven and a half years. Chemicals posted an upturn, and general machinery continued increasing. China (down 14.9% year-on-year), ASEAN4 (down 13.2% year-on-year), and NIEs3 (down 2.3% year-on-year) recorded declines for the second consecutive quarter, due to the decline in electrical machinery, etc.

<Europe: 9.4% of total employment in all regions>

- The number of employees fell by 7.4% from the same quarter of the previous year, indicating a decline for the second consecutive quarter. All of the four major industry groups posted declines, and in particular, electrical machinery recorded a drop of 12.9% year-on-year, marking its fourth straight quarter of decline and an expansion in the margin of decrease.



<Reference> Overseas Economics

Although the global economy is in recession and conditions are continuing to worsen, the effects of some policy responses are evident. Economic prospects could further deteriorate due to the accelerating, vicious cycle of the deepening financial crisis and the real economy. The U.S. economy is in recession, and has experienced a sharp downturn amid the vicious cycle of the worsening financial crisis and the impact on the real economy, but there are signs that the speed of economic contraction is slowing down. With regard to prospects in the U.S., there is a high risk of the recession becoming prolonged due to the vicious cycle mentioned above. In Asia, the business climate of China is on its way to recovery. In other Asian countries and regions, however, the situation remains generally serious, but there are some signs of recovery in production. China is making a recovery due to the effects of economic-stimulus packages. European economies are also in recession, and conditions are continuing to worsen due to the vicious cycle of the worsening financial crisis and its impact on the real economy. Further acceleration of this cycle could worsen their economic prospects. (From the Monthly Economic Report [June 2009], Cabinet Office)